

## **Minnesota Senate Higher Education and Workforce Development Division**

### **Presentation, University of Minnesota and Fairview**

**April 23, 2012**

**Good afternoon Senator Bonoff and members of the Committee.** My name is Mark Hansberry, and I am the senior vice president of strategy and business development for Fairview Health Services, which is based here in the Twin Cities. I appreciate the opportunity to join you today to discuss the Fairview, University partnership.

While I will focus most of my comments on our partnership with the University of Minnesota, I first want to spend just a few minutes providing some context about the broader Fairview organization. It seems that some key aspects of our history, core mission, and economic viability have been lost or misconstrued in recent weeks.

**Let me start by affirming that Fairview has been a part of the Minnesota landscape for more than 100 years, and we remain a strong, vibrant organization.** Within Fairview, we found the recent speculation about our viability a bit puzzling because our performance measures showed good progress last year. We are improving clinical quality and patient experience, even setting an organizational record for patient satisfaction last year. We are using our resources more effectively and efficiently. And, we're growing. Today, Fairview is in a position of strength, which is good for our patients, communities and the state of Minnesota.

Fairview's contribution to the state dates back to 1906 when Norwegian Lutheran immigrants set out to build a hospital in the Riverside community of Minneapolis. They saw a health need and came together to meet it. Commitment to health and well-being, partnership and community remain important elements of who we are today.

**From those beginnings, Fairview has evolved into the second largest health system in the Twin Cities with more than \$3 billion in annual revenues.** Our fully integrated health system includes six hospitals in Hibbing, Princeton, Wyoming, Edina, Burnsville and Minneapolis. In those and the surrounding communities, we have more than 40 primary care clinic and hundreds

of specialty clinics, pharmacies, home care and senior services and more. From prevention of illness to the treatment of the most complex medical conditions, our entire team is committed to providing exceptional care. To carry out our mission, we employ more than 20,000 people across the State of Minnesota and partner with more than 3,000 physicians, including members of the faculty from the University of Minnesota.

**The cornerstone of Fairview's non-profit mission is improving the health of the communities we serve.** That mission extends to serving those who cannot afford health care and to supporting programs and services to reach where traditional health care cannot. Our programs, many of which have been nationally recognized, range from health education and school mentoring programs to providing free screenings and flu shots to under- and uninsured people in our community.

Our commitment to our communities and track record of investing in their health of is one of the reasons Fairview was interested in formally partnering with the University when the opportunity presented itself more than 16 years ago.

**In the mid-90's, the University of Minnesota hospital and clinics—like other academic hospitals across the country—was facing significant financial pressures and its very existence was at risk.** As a result, the University decided to sell their hospital and clinics asset to a health provider organization—an organization with demonstrated operational health care expertise. This would allow the University and its medical school to focus on its core mission of research and education while also restoring the viability of the University hospital and clinics.

**After the completion of a lengthy decision making process, Fairview was chosen by the University and we acquired the University of Minnesota hospital and clinics in 1997.** We took the acquisition seriously knowing that it would change the entire Fairview system for the better and could provide significant benefits to all the patients we serve across the state.

As part of that relationship, Fairview changed its mission and vision statements to explicitly recognize our partnership with the University. University-associated representatives, including several here today, now serve on the Fairview Board of Directors. Through these governance roles, the University has a significant voice in setting strategy and allocating resources for the Fairview organization.

**The affiliation agreement created a significant relationship and very important connections between Fairview, the University, and the faculty of the medical school.** Through the affiliation, we created mutual commitments to advance the patient care and health-related research and education missions of all three organizations. Working together, we were able to stabilize the hospital financially. Thereafter, we've been able to reinvest in our clinical, education and research mission. These reinvestments take the form of new jobs, clinical technology, improved facilities and nationally-recognized clinical programming. For example, we've implemented an electronic health record, built a world-class children's hospital and extended University physicians and expertise into communities throughout Minnesota. Since the acquisition in 1997, Fairview has invested more than \$600 million in facilities and equipment for our University-branded services. Our future commitment includes contributing toward a \$182.5 million, new, state-of-the-art academic ambulatory care center on the East Bank for University of Minnesota Physicians.

**Our commitment to education and research also remains strong.** University of Minnesota Medical Center, Fairview and University of Minnesota Amplatz Children's Hospital are the primary teaching and research site for the Medical School. Annually, we provide resource to support graduate medical education, physician faculty recruitment and translational research. We also provide undesignated support to the University of Minnesota Medical School Dean's Office for further development of academic programs.

**And, despite the recent perception that we are at odds and not making progress, we continue to advance new approaches to achieve better results.** In fact, I expect a new co-management model for the University-branded assets that Fairview owns and for University of Minnesota Physicians' operations at the University medical center will be approved next month. It is not a solution for all the challenges we face, but we believe it is an appropriate next step in our evolution.

**Fairview and the University have made great strides over the last 16 years to ensure our communities continue to have access to exceptional community-based and academic medicine. However, I believe it is fair to say that both parties feel we have not reached our full potential.** We both would like the partnership to yield even greater clinical, research and education benefits. In a complex partnership like the one we have, there are many, many things

to consider as we strive to improve. Do we have a common vision for the future? Are we organized to be most effective? Do we have the right leadership in place to bring about the changes we'd like to see? Do we have clear and common priorities that ensure our shared success? These questions and others have been and continue to be discussed at the top levels of the University and Fairview.

**Since entering the partnership in 1997, resources for both health care and higher education have become increasingly scarce.** Our communities, state and country are expecting both health care and higher education to become more efficient and less costly, while improving quality. So, it is no surprise that there is dissatisfaction with the level of financial resources available in the Fairview, University partnership. The margins in health care are simply too slim to generate the resources that may be desired. As in any industry or organization, we are faced with difficult choices about how to invest our limited resources. Fairview management and Board members work together to make these important strategic choices for Fairview.

**In all that we do, our goal is to support Fairview's mission by strengthening and ensuring the longevity of all the resources for which we are responsible—that includes University of Minnesota Medical Center, Fairview.** Fairview management and governance understand this responsibility and take it very seriously. And, no matter how complicated, we remain committed to working through the issues before us. Both Fairview Interim CEO Chuck Mooty and University of Minnesota President Eric Kaler have mutually committed to taking the next step in our partnership, which includes evolving our shared vision for the future of our partnership.

**As we evolve our vision, it will be important for all parties to fully acknowledge the rapid pace of change health care—and higher education—are experiencing right now.** What we both thought was realistic or “right” when we signed the affiliation agreement in 1997 simply may not be today. In recent years, our nation has experienced many significant, unforeseen economic, political and social challenges and those all affect our reality going forward.

Health reform expectations to improve quality and reduce unnecessary utilization and cost are creating increased financial pressures for all health care organizations. The financial challenge is even greater in the academic medical setting where the clinical enterprise needs to support a growing portion of the education and research missions in light of state and federal funding cuts.

This new, current context calls for new operational platforms, education models and research priorities to deliver advanced, cost effective care within expanded networks. The specifics of each of those is the work we have ahead of us.

**Senator Bonoff and members of the Committee, the healthcare landscape is rapidly evolving in our country.** For a one-hundred year old community asset like Fairview, this is not a time to sit still. We believe it is time to be a leader in improving quality and reducing cost and to continue the progressive spirit that characterizes Fairview and the State of Minnesota. Given our unique partnership with the University of Minnesota, we have opportunities no one else does in this state to advance new, innovative care models that bridge community and academic medicine. Fairview management and governance are committed to and enthusiastic about the potential our partnership holds for the future.

Thank you for this forum to discuss these important issues and I'm happy to answer additional questions you may have.